



COUNCIL SUBCOMMITTEE ON ECONOMIC DEVELOPMENT

SUMMARIZED MINUTES

Thursday, June 28, 2012

4:00 p.m.

City Hall, Kiva Conference Room
3939 N. Drinkwater Blvd, Scottsdale, AZ 85251

- PRESENT:** Mayor W.J. "Jim" Lane
Councilwoman Linda Milhaven
- ABSENT:** Vice Mayor Dennis Robbins
- STAFF:** Cindi Eberhardt, Economic Development Assistant Director
Rose Rimsnider, Administrative Assistant
Rob Millar, Strategic Program Manager
Bob Tunis, Economic & Tourism Development Manager
Kelly Ward, Sr. Asst. City Attorney
Madeline Clemann, Transit Supervisor
- GUESTS:** Don Couvillion
Martha Ecton
Wayne Ecton
Gordon McConnell

Call to Order/Roll Call

Mayor Lane called the regular meeting of the Council Subcommittee on Economic Development to order at 4:04 p.m. A formal roll call confirmed members present as stated above, noting the presence of a quorum.

1. Approval of June 14, 2012 Minutes

COUNCILWOMAN MILHAVEN MOVED TO APPROVE THE MINUTES OF THE JUNE 14, 2012 MEETING OF THE COUNCIL SUBCOMMITTEE ON ECONOMIC DEVELOPMENT. MAYOR LANE SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF TWO (2) TO ZERO (0). VICE MAYOR ROBBINS WAS ABSENT.

2. ASU Venture Catalyst - SkySong

Mayor Lane explained that Arizona State University Venture Catalyst is a SkySong based venture acceleration service that acts to develop technology from students, faculty, and outside sources. Gordon McConnell, Assistant Vice President for Innovation, Entrepreneurship and

Venture Acceleration, described SkySong as a very good example of a private/public partnership in action. The timeline for projects is about ten to 12 years. The facility is 97% full, and two new buildings will soon be added. The Edson Student Startup Initiative (ESSI) is an incubator for high-potential student led startup companies. These are not student projects; they are real companies. Arizona Technology Enterprises (ATE) is the technology transfer unit of the university. Their job is to ensure that technologies are protected and patented. ESSI works with startups with very big ambitions. The unit generally does not focus on one area, but startups tend to be high tech companies. The goal is to create sustainable businesses that create jobs and wealth.

Mr. McConnell said ASU Venture Acceleration aims to adapt models that fit the city, state and region, and continues to explore new ways of doing things. Everything ties back into Michael Crow's vision of the new American university. Unlike most universities, ASU does not have one center for entrepreneurship, but instead offers entrepreneurial electives right across the system. Because ASU's entrepreneurial courses are so decentralized, many students are coming up with good ideas for products. America is at a turning point. For a variety of reasons, the time is right to begin re-shoring manufacturing jobs domestically.

Mr. McConnell said ESSI is in its eight year. About 25 student-led startups are funded every year, and each receives about \$12,000. The program has about 85 mentors. Each startup gets four to five mentors, depending on what their area of need is. Mentors come from as far away as Holland. The program works with any high-potential startup company that will create jobs in the Phoenix area, not just those started by alumni. This is highly unusual for any university. The lack of headquarters of international companies in Arizona is a significant problem, as is the lack of venture capital in early stage companies. The wealth in this area is all held by construction, and unfortunately, the construction boom has killed the ability for people with money to consider investing in anything else. Until that problem is solved, SkySong will have problems delivering on its goals. The situation can be changed, however.

Mr. McConnell said ASU Venture Catalyst is a unit of the research wing of ASU, in the Office of Knowledge Enterprise Development. It is the university's third such attempt and was set up in October of 2010. It operates like a consultancy firm, working with companies to get them to the point where they can raise some capital. Venture capital companies like their startups to be within close proximity, which poses a challenge to keeping the companies in the area once they receive capital. Since early-stage companies do not have any money, the university works to reach an agreement on what their costs are going to be over six to nine months. When domestic companies reach a threshold in sales, they begin paying back what they owe the university. International companies pay in cash.

Mr. McConnell said the Rapid Startup School (RSUS) started a free evening practical program to teach what is necessary to do a successful startup. The program has been so successful, that several Asian countries have inquired about duplicating it. Israel has been very successful in spinning their military veterans into startup companies, and there is no reason Arizona cannot do the same. Defense industry workers who are unable to get employment can be converted into entrepreneurs. The biggest growth in startups over the last three years has been initiated by people over 50, and ASU is keen to tap into that demographic.

Mayor Lane asked whether RSUS is a market driven program. Mr. McConnell responded that companies propose their ideas and ask for practical startup help. The program is completely free. The payback is to start a company, and the cost of the program is minimal. The program

is taught by staff, graduate students, and outsiders who do it free because they feel it is the right thing to do in a recession. RSUS does not have an application process.

Mayor Lane inquired whether the program has a plan to help employees who expect to be laid off from local defense contractors. Mr. McConnell responded that the timing is good to start one, since defense cuts are coming. Negative events like layoffs can be turned into potential positives.

Mr. McConnell said ASU produces patent technologies that are owned by the people of the state through the Arizona Boards of Regents. In most universities, they tend to sit on the shelf. ASU has 300 patents of different varieties. The Furnace program looks at those patents and identifies the most promising ones, which are translated into a language that most people can understand. Funders will help with the judging process. There is a lot of excitement right now in the technology transfer world, because nobody has ever tried to do this in a way that brings multiple regional institutional partners to the table. The plan is to have these companies in SkySong by October.

Mr. McConnell said youth unemployment rates are at their highest since the 1930s. ESSI has focused on making sure that participants realize that they are working with real companies, not just exploring opportunities to play entrepreneur. Ten of the 26 companies this year are in revenue, and two are turning over six figures. Another four to six could come into revenue soon. This is an elite program. Only 20 teams made it into the program this year out of 345 applicants. The participating teams are very dedicated. When they are not in class, they are expected to be at SkySong. They are encouraged to apply to competitions around the world to see how well they stack up with graduates of other universities. The results have been superb. Out of five semi-finalists for Entrepreneur Magazine's Best College Entrepreneur of the Year, ASU had three last September, including the winner. Inc. Magazine's Coolest College Startup had two semi-finalists this year from ASU who finished first and second. People are beginning to notice the program, and grant money is beginning to flow in.

Mr. McConnell said four countries are actively being targeted as part of the international effort to drive growth, Singapore, Malaysia, Indonesia and Canada, and at least one startup is present from each of them. The goal for the program is to build ever bigger successful companies over time until eventually the next Google emerges in Arizona. News stories about Arizona tend to be political and not positive. Political events in Arizona are beamed around the world and widely misinterpreted, which is very damaging to the state's reputation. A better effort needs to be made to talk about the companies that have emerged here, the technologies that are produced here, and the universities that are present. This is what Silicon Valley talks about.

Mayor Lane inquired whether SkySong could gain anything from developing a further connection with the biomedical and biotechnology startups that have emerged in Scottsdale with some very innovative ideas. Mr. McConnell said the important thing is to hook small companies up with big ones. The more big companies that come into Scottsdale, the more likely it is that small companies can derive benefits from their presence. There is a huge opportunity to solve two problems at once by hooking up the military veterans who are returning from war with the military defense contractors who are being laid off. Soldiers have been trained by the military to think in a particular way that fits entrepreneurship extremely well.

3. Hospitality Trolley Update/Report

Madeline Clemann, Transit Supervisor, provided a summary of the 2012 hospitality trolley season. Several goals were established this year in response to comments from users in 2011. Goals included improved frequency of service, use of trolley vehicles instead of buses, starting service earlier in the day, maintaining the budget, and improving ridership. The last two hours of nighttime service were cut, and the trolley began operations at 10:00 a.m. The season started the day after Christmas, and concluded on the day of the last Giants home game. The trolley ran seven days a week for 96 days. The route started at the Barrett-Jackson Museum, and went north to the Fairmont Princess Resort, running on a 30-minute loop. Three vehicles were used this year, which helped achieve 30-minute frequencies, down from 60 minutes last year.

Ms. Clemann said the WestWorld loop operated a fourth trolley from the Princess to WestWorld and the TPC only during the Barrett-Jackson Auto Auction and the Waste Management Open, for a total of 14 days. Service should be added next year for the Arabian Horse Show. An advertising banner was used along the waist of the trolley. The rear panel was completely wrapped. Interior advertising was also sold. Use of trolleys retained the traditional ambiance, while providing patrons with easily identifiable vehicles.

Ms. Clemann reported that March boardings were strong, gaining 19 riders per hour versus last year's 12.4 riders per hour. For the season, ridership grew to 14.2 per hour compared to 10.7 the previous year. In total, ridership doubled from 8,000 to 16,000. With new routes, ridership typically grows after the first two years. That trolley numbers have been this strong so early is significant.

Ms. Clemann said riders were surveyed during the last week of March. The number of riders from outside the Valley increased from 54% in 2011 to 69% in 2012. Word is getting out about the trolley, and visitors know to look for it. The SCVB has done a great job of promoting it. The number of riders who learned of the service from concierges grew from 36% last year to 42%. More people connected their stay to attend Giants games with the availability of transportation. Ridership in the 18 to 29 year old demographic decreased to 15%, while the 40 to 49 year old bracket increased to 41% of total ridership. Rider acknowledgement of other trolley routes in Scottsdale increased 11%.

Ms. Clemann identified some challenges for next year. Staff would like to design the new route based on sponsor locations, and arrange the sponsorships, route details, and marketing tools a minimum of 60 days prior to startup. Staff would like to broaden sponsorships to include more businesses and events that receive service benefits. Mayor Lane inquired whether the trolleys stop in front of sponsors. Ms. Clemann explained that the trolleys only go off route to stop at the doors of sponsors.

Ms. Clemann said the trolley is a valuable tourism and economic development tool. It is a partnership program between Transportation and Economic Vitality. It encourages people to stay in Scottsdale, instead of other destinations. The SCVB reports that they have received many calls from people wanting to get information on transportation options, and many have decided to stay in Scottsdale after learning about the trolley. People were able to save money on transportation costs that they later spent on restaurants and entertainment in downtown. A large percentage of riders were return riders. With a longer lead to promote and garner

additional support, staff feels the trolley could become a very successful operation. On May 17, the Transportation Commission recommended continued operation in fiscal year 2013. Staff will request a recommendation from the Tourism Development Commission in August, and will go to City Council on September 4 for final approval. The proposal this year is to start the trolley on December 28.

Mayor Lane requested quantifiable data to support the increased activity attributed to the existence of the trolley, which could be useful for promotional efforts. He inquired about the percentage of sponsorships in comparison to the total cost of the program. Rob Millar, Strategic Programs Manager, responded that sponsorship in the first year was \$110,000. This past year brought in \$84,000. The goal has always been to create a private/public partnership that would benefit the hoteliers. The markets that Scottsdale competes against have tremendous transportation advantages. Improvements were made in operations this past year, but a better effort must be made this year to increase the private sponsorships. Staff will survey hotels to determine their knowledge of the program, and help establish a price point for advertising. Mayor Lane said the obvious benefit of sponsoring the trolley is the door-to-door service, and in knowing that potential visitors are inquiring about the trolley.

Mayor Lane inquired about efforts to improve the reliability of the trolleys. Ms. Clemann explained that the City will collaborate with RPTA to acquire four or five CNG vehicles in the short-term that should be much more reliable than the shuttles used so far. Buses could be painted in similar colors to make them identifiable as Scottsdale vehicles, instead of Valley Metro buses. The first new vehicle will not be available for about a year. Mayor Lane inquired about funding for new vehicles. Don Couvillion responded that funding is available via a combination of federal grants and Prop 400 transit money, a portion of which is identified for transit services in Scottsdale. This money would fund 21 vehicles over three years.

4. Economic Development Report

Cindi Eberhardt, Economic Development Assistant Director, reported that the Business Retention, Expansion, and Development team has been very busy over the last few months building up the prospect list. They are actively working with 75 prospects, over 56% of which come from personal connections. Forty-eight percent of prospects are in targeted industries, and the rest are from very attractive industries.

Ms. Eberhardt reported that over the last quarter, the team launched a new website accessible through the domain names choosescottsdale.com, choosescottsdaleaz.com, and through a link on the Scottsdaleaz.gov website under Business and Economic Development. The website highlights reasons why a company would want to choose Scottsdale. It contains site selector specific information. Information is also available on how businesses can start and grow in Scottsdale. It identifies business resources and partnerships through regional and statewide opportunities with the Arizona Commerce Authority and Greater Phoenix Economic Council. The site features testimonies from Scottsdale businesses leaders both small and large. People can directly connect with staff in the Economic Development Department.

Ms. Eberhardt said Bob Tunis has been working to recruit Scottsdale biomedical companies to attend the public health technology workshop in Hainan, China. The Department has brought in four interns to help strengthen the outreach and retention efforts, as well as to conduct research on demographic trends to bring in more businesses. Mayor Lane suggested that some of the interns' efforts focus on delineating the number of businesses that are in the Cure Corridor so

that the city can market those connections. Ms. Eberhardt agreed, noting that the interns will be working on profiling targeted industries and breaking down the current inventory to attract similar companies. The interns will be asked to develop a social media marketing plan to trumpet Scottsdale's successes.

Ms. Eberhardt reported that full plans have been submitted for a Lexus dealership that is moving onto the state land parcel recently purchased at auction. The targeted opening is the first half of 2013.

5. Open Call to the Public

Wayne Ecton said he is hopeful that something could be worked out for the proposed Western museum, but noted that the proposed cultural park is right next to his residence. He felt it is misleading to call it a cultural park at this time. Some of the proposals intend to make it an outdoor venue to host all of the functions that were previously held at the Waterfront. If the culture park were turned into something like an entertainment district west, it would introduce into the neighborhood many of the problems that downtown residents have already encountered. The RFQ states that the use has to be compatible with the surrounding neighborhoods, but he doubts that outcome is likely. He encouraged the City to proceed with caution before moving ahead with something that could be disruptive to the community. He is aware that tourism is important, as is revenue for the City, but residents cannot be forgotten. He does not want to obstruct the effort to make something good happen in the space, but certain uses will not be acceptable to the neighbors.

6. Future Agenda Items

None.

Adjournment

With no further business before the Subcommittee, the meeting adjourned at 5:36 p.m.

Respectfully submitted,
A/V Tronics, Inc. DBA AVTranz.